



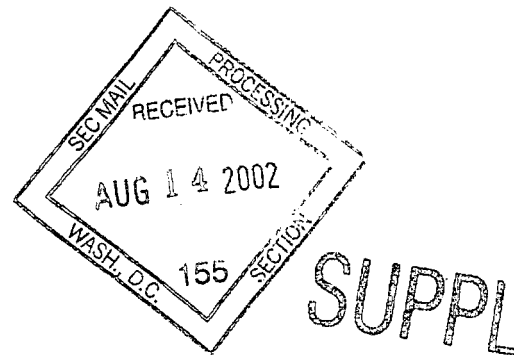
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**Norske Skog**

PRESS RELEASE

**Norske Skog in first half-year:
Results influenced by
strong Norwegian krone**



Norske Skog's first half year operating earnings was NOK 1,162 million. Pre-tax earnings was NOK 920 million and earnings per share was NOK 4.58. The strong Norwegian krone against the euro and US dollar, reinforces the negative impact the international recession is having on operating earnings. To counter this as much as possible, the company is maintaining its vigorous drive for greater efficiency.

In the first half of 2001 Norske Skog's operating revenue was NOK 16,796 million, operating earnings was NOK 2,956 million, pre-tax earnings was NOK 2,223 and earnings per share was NOK 12.22. The consolidated Group accounts for the first half-year 2001 included substantial minorities.

Since the second half of 2001, publication paper markets have seen reduced demand and lower prices. Globally, the picture is somewhat mixed, with reasonably stable, satisfactory activity in Australasia and in some markets in Asia, while activity remains weak in the other regions. At the end of the half-year there was still no improvement of any significance, and Norske Skog expects substantial weaker net earnings in the second half-year 2002, due to the strong Norwegian krone.

Norske Skog cannot, today, see clear signs of an upturn for the company's products on the most important markets. For newsprint, developments during the second half-year will largely depend on activity in the North American market. Higher economic growth in the US and Europe could maintain demand for magazine paper and improve market balance for LWC magazine paper.

"Norske Skog has an efficient structure, after two years of both strong growth, and portfolio organisation. The goal of becoming a global player, with full concentration on the core area of publication paper, has been achieved. The company proceeds actively to counterweigh the down-turn in the markets. We are now lowering costs and strengthening competitiveness by:

- Streamlining operations
- Extracting synergy gains
- Reducing costs to match the reduction in revenue
- Adaptation of the organisation, transfer of know-how and exchanges of best practice.

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“We will emphasize exploiting our structure and implementing common programmes that teach us to give priority to the most essential things, in order to deliver results on the bottom line,” says CEO Jan Reinås.

The Group is on schedule with its improvement programme, which aims to reduce costs by NOK 700 million during 2002. The integration of the two European publication paper mills, Walsum and Parenco, which were taken over in December last year, is also going according to plan. The target for total synergy and improvement gains has been lifted from euro 45 million, being the original estimate, to euro 80 million, on an annual basis, during the period 2002-2004.

Norske Skog's operating revenue in the first half-year was NOK 11,574 million (NOK 16,796 million). Net cash flow from operations was NOK 1,859 million (NOK 3,627 million). During the course of the first half-year, net interest-bearing debt was reduced by nearly NOK 2.5 billion. The ratio between net interest-bearing debt and equity capital (gearing) was 1.09. The goal of a gearing of 1 at year-end is unchanged.

Equity capital ratio increased from just over 34%, at the end of last year, to over 38% at the end of the first half-year. Liquidity is ample, with available reserves, including drawing rights, of about NOK 5 billion.

Health and safety

The Group is performing well in the area of health and safety. The mills in Europe reduced injury rates by nearly 40% during the first half-year. The units in Asia and Australasia continue to perform well and have maintained their low level injury rate.

Europe

Demand for newsprint in Europe was 8% lower in the first half-year than in the same period of the record year 2001, while magazine paper demand declined by 2%. Deliveries of both products rose from the first to the second quarter. Prices for newsprint and uncoated (SC) magazine paper were stable, while the price level for coated (LWC) magazine paper is under pressure.

South America

The South American newsprint market showed falling demand and lower prices right up to the end of the first half-year. Deliveries of newsprint to Brazil and Chile were 15% lower in the first half-year than in the same period last year. Both demand and prices now appear to have stabilised at a low level.

Australasia

Australasia is maintaining reasonably satisfactory, stable activity. A stronger Australian dollar has led to somewhat increased competition from suppliers in Asia. In 2000, Norske Skog concluded ten-year agreements with its major customers in Australia and New Zealand. In spite of this Norske Skog Australasia has secured contracts which provide a small increase in its market share in Australia for the second half-year. Exports to Asia have fallen. In accordance with existing long-term agreements covering

deliveries to most customers in Australia, the price of newsprint was reduced by 7% from July 1 this year.

Asia

In Pan Asia lower demand led to production cutbacks and reduced activity during the first half-year. High productivity at the mills, favourable production cost trends and satisfactory demand in core markets yielded good margins and earnings for Pan Asia.

North America

NorskeCanada had negative operating earnings in the first half-year. It is assumed that the North American newsprint market reached its lowest point in June, after a year's continuous decline. Several suppliers have announced price increases from August 1.

Outlook

The market for publication papers remained weak at the end of the first half of 2002. Norske Skog can currently see no signs of demand improvements for its products in its most important markets. This means that weak demand is to be expected in the second half-year.

Norske Skog will continue its priorities and efforts to improve profitability, extract synergies from the Walsum and Parenco acquisition, and focus on reducing debt.

The relatively weak market outlook for the rest of the year, a reduction in Australian newsprint prices, and our expectation of continued strength in the Norwegian krone, should lead to weaker operating earnings in the second half of 2002 compared to the first half of the year.

Norske Skog expects the fourth quarter to be better than the third. Based on exchange rates at the end of June, the Group does not expect any currency gains in the second half of the year, as these were taken in the first half-year.

Oxenøen, 5 August, 2002

NORSKE SKOG

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Profit and loss account

<i>NOK million</i>	Apr-Jun 02	Apr-Jun 01	Jan-Jun 02	Jan-Jun 01	2001
Operating revenue	5 898	8 163	11 574	16 796	30 354
Operating expenses	-4 430	-6 033	-8 705	-12 129	-21 935
Operating Earnings before					
Depreciation	1 468	2 130	2 869	4 667	8 419
Depreciation and amortisation	-842	-854	-1 707	-1 711	-3 323
Operating Earnings	626	1 276	1 162	2 956	5 096
Earnings from affiliated companies	-72	12	-171	44	16
Financial items	123	-368	-71	-726	-1 376
Other items	0	-51	0	-51	158
Earnings before taxation	677	869	920	2 223	3 894
Taxation	-211	-314	-311	-739	-1 234
Net earnings	466	555	609	1 484	2 660
The minority's share of net earnings	1	19	3	131	166
The majority's share of net earnings	465	536	606	1 353	2 494

Balance sheet

<i>NOK million</i>	30.06.2002	30.06.2001	31.12.2001
Intangible fixed assets	4 542	3 472	4 549
Operational fixed assets	33 224	35 367	36 889
Long-term receivables and affiliated companies	3 055	2 035	3 979
Fixed assets	40 821	40 874	45 417
Inventory	2 365	3 007	2 172
Receivables	3 941	5 182	4 525
Short term investments	615	8 462	1 769
Liquid assets	1 039	1 068	2 389
Current assets	7 960	17 719	10 855
Total assets	48 781	58 593	56 272
Paid in equity	8 456	8 409	8 404
Retained earnings	10 222	10 663	10 917
Shareholders' equity	18 678	19 072	19 321
Minority interests	167	7 700	205
Deferred taxes	2 677	2 303	3 174
Interest-free long-term liabilities and other obligations	905	1 246	1 003
Interest bearing long-term liabilities	21 310	22 108	25 811
Interest free current liabilities	4 333	4 765	5 591
Interest bearing current liabilities	711	1 399	1 167
Total liabilities and shareholders' equity	48 781	58 593	56 272

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Revenue and profit per area

Operating Revenue

<i>NOK million</i>	Apr-Jun 02	Apr-Jun 01	Jan-Jun 02	Jan-Jun 01	2001
Europe					
Newsprint	1 864	2 333	3 721	4 482	8 850
Magazine paper	1 658	1 310	3 149	2 598	5 369
Total Europe	3 522	3 643	6 870	7 080	14 219
North America					
Newsprint	-	1 215	-	2 565	3 323
Pulp	-	820	-	1 972	2 434
Eliminations	-	-105	-	-236	-302
Total North America	-	1 930	-	4 301	5 455
South America					
Newsprint	264	437	569	881	1 784
Forests	-	54	-	89	171
Eliminations	-	-4	-	-9	-16
Total South America	264	487	569	961	1 939
Australasia					
Newsprint	1 000	980	1 954	1 921	4 110
Pulp	-	95	-	460	458
Eliminations	-	21	-	-44	-95
Total Australasia	1 000	1 096	1 954	2 337	4 473
Asia					
Newsprint	691	519	1 309	1 114	2 434
Other activities					
Other Industry Norway	163	244	342	526	930
Other revenues	248	341	600	742	1 389
Total Other activities	411	585	942	1 268	2 319
Staff/Eliminations	10	-97	-70	-265	-485
Total Group	5 898	8 163	11 574	16 796	30 354

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Revenue and profit per area

Operating Earnings before Depreciation

<i>NOK million</i>	Apr-Jun 02	Apr-Jun 01	Jan-Jun 02	Jan-Jun 01	2001
Europe					
Newsprint	460	841	891	1 622	3 022
Magazine paper	394	387	732	747	1 433
Total Europe	854	1 228	1 623	2 369	4 455
North America					
Newsprint	-	214	-	524	649
Pulp	-	-72	-	124	133
Eliminations	-	6	-	6	5
Total North America	-	148	-	654	787
South America					
Newsprint	45	188	143	378	744
Forests	-	21	-	42	81
Eliminations	-	-	-	-	-
Total South America	45	209	143	420	825
Australasia					
Newsprint	345	316	710	604	1 250
Pulp	-	30	-	213	204
Eliminations	-	-6	-	-23	-
Total Australasia	345	340	710	794	1 454
Asia					
Newsprint	252	202	463	431	869
Other activities					
Pulp	18	56	49	102	166
Other/Eliminations	-	-	-	-	-
Total other activities	18	56	49	102	166
Staff/Eliminations	-46	-53	-119	-103	-137
Total Group	1 468	2 130	2 869	4 667	8 419

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Revenue and profit per area

Operating earnings

<i>NOK million</i>	Apr-Jun 02	Apr-Jun 01	Jan-Jun 02	Jan-Jun 01	2001
Europe					
Newsprint	215	651	392	1 248	2 271
Magazine paper	190	281	326	535	976
Total Europe	405	932	718	1 783	3 247
North America					
Newsprint	-	109	-	313	367
Pulp	-	-146	-	-16	-43
Eliminations	-	6	-	6	5
Total North America	-	-31	-	303	329
South America					
Newsprint	-27	109	-15	224	432
Forests	-	13	-	23	41
Eliminations	-	-	-	-	-
Total South America	-27	122	-15	247	473
Australasia					
Newsprint	174	149	367	277	563
Pulp	-	19	-	171	162
Eliminations	-	-10	-	-35	-
Total Australasia	174	158	367	413	725
Asia					
Newsprint	177	153	309	336	616
Other activities					
Pulp	3	38	20	64	98
Other/Eliminations	-	-	-	-	-
Total other activities	3	38	20	64	98
Staff/Eliminations	-106	-96	-237	-190	-392
Total Group	626	1 276	1 162	2 956	5 096

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Production by Product/Area

(1,000 tonnes)	Apr-Jun 02	Apr-Jun 01	Jan-Jun 02	Jan-Jun 01	2001
Europe					
Newsprint	505	459	950	925	1 770
Magazine paper	319	202	614	425	847
Nord America					
Newsprint	-	202	-	434	559
Pulp	-	227	-	423	526
South America					
Newsprint	72	76	157	164	314
Australasia					
Newsprint	206	205	414	419	817
Pulp	-	21	-	90	90
Asia					
Newsprint	157	103	294	219	468
Other activities					
Newsprint	-	3	-	7	11
Pulp	-	-	-	-	-
Norske Skog Total:					
Total Newsprint	940	1 048	1 815	2 168	3 939
Total Magazine paper	319	202	614	425	847
Total printing paper	1 259	1 250	2 429	2 593	4 786
Total Pulp	-	248	-	513	616

Quarterly comparison

<i>NOK million</i>	2Q02	1Q02	4Q01	3Q01	2Q01	1Q01	4Q00	3Q00	2Q00
Operating revenue	5 898	5 676	6 618	6 940	8 163	8 633	9 947	7 489	4 783
Operating earnings before depreciation	1 468	1 401	1 731	2 021	2 130	2 537	2 364	1 915	1 217
Depreciation and amortisation	842	865	839	773	854	857	884	734	377
Operating earnings	626	536	892	1 248	1 276	1 680	1 480	1 181	840
Earnings before taxation	677	243	748	923	869	1 354	836	901	865
The majority's share of net earnings	465	141	532	628	536	798	554	498	613

Quarterly comparison

<i>NOK million</i>	2Q02	1Q02	4Q01	3Q01	2Q01	1Q01	4Q00	3Q00	2Q00
Operating Revenue									
Europe	3 522	3 348	3 711	3 428	3 643	3 437	3 651	3 314	3 307
North America	0	0	0	1 154	1 930	2 371	2 558	1 599	0
South America	264	305	557	421	487	474	574	397	64
Australasia	1 000	954	1 074	1 062	1 096	1 241	1 588	1 213	0
Asia	691	618	759	561	519	595	719	596	691
Non-core	411	531	564	487	585	683	893	788	911
Staff/Eliminations	10	-80	-47	-173	-97	-168	-36	-418	-190
Total Operating Revenue	5 898	5 676	6 618	6 940	8 163	8 633	9 947	7 489	4 783
Operating earnings before Depreciation									
Europe	854	769	900	1 186	1 228	1 141	997	807	806
North America	0	0	0	133	148	506	537	300	0
South America	45	98	230	175	209	211	238	159	-1
Australasia	345	365	309	351	340	454	474	423	0
Asia	252	211	248	190	202	229	206	183	182
Other activities	18	31	34	30	56	46	23	-18	302
Staff/Eliminations	-46	-73	10	-44	-53	-50	-111	61	-72
Total Operating earnings before Depr.	1 468	1 401	1 731	2 021	2 130	2 537	2 364	1 915	1 217
Operating earnings									
Europe	405	313	562	902	932	851	693	540	512
North America	0	0	0	26	-31	334	338	191	0
South America	-27	12	136	90	122	125	151	81	-1
Australasia	174	193	132	180	158	255	265	280	0
Asia	177	132	154	126	153	183	155	135	129
Other activities	3	17	19	15	38	26	8	-24	259
Staff/Eliminations	-106	-131	-111	-91	-96	-94	-130	-22	-59
Total Operating earnings	626	536	892	1 248	1 276	1 680	1 480	1 181	840

Financial key figures

	Definitions	Jan-Jun 02	Jan-Jun 01	2001
Net operating margin %	1	10,0	17,6	16,8
Gross operating margin %	2	24,8	27,8	27,7
Equity ratio %	3	38,6	45,7	34,7
Equity ratio excl. minority interests%	4	38,3	32,5	34,3
Net interest bearing debt		20 367	13 976	22 820
Net debt/Shareholders' equity incl. minority interests		1,08	0,52	1,17
Net debt/Shareholders' equity	5	1,09	0,73	1,18
Earnings per share after taxes		4,58	12,22	20,68
Earning per share - fully diluted *)	6	4,58	12,22	20,68
Cash flow per share after taxes		14,07	33,23	58,47
Cash flow per share - fully diluted *)		14,07	33,23	58,47

Definitions:

- 1 : Net operating margin = Operating earnings : Operating revenue
2 : Gross operating margin = (Operating earnings + Ordinary depreciation + Restructuring costs) : Operating revenue
3 : Equity ratio = (Shareholders' equity + Minority interests) : Total assets
4 : Equity ratio excl. minority interests = Shareholders' equity : Total assets
5 : Earnings per share = Net earnings : Average number of shares
6 : Cash flow per share = Net cash flow from operating activities : Average number of shares
*) Net earnings and cash flow are rectified by interest expenses on subordinated convertible bonds

Statement of cash flow

<i>NOK million</i>	Jan-Jun 02	Jan-Jun 01	2001
Cash flow from operating activities			
Cash generated from operations	12 129	17 613	31 165
Cash used in operations	-9 238	-13 125	-22 141
Cash from net financial items	-440	-574	-1 435
Taxes paid	-592	-287	-537
Net cash flow from operating activities	1 859	3 627	7 052
Cash flow from investment activities			
Investments in operational fixed assets	-543	-611	-1 225
Sales of operational fixed assets	14	7	26
Other investments	116	239	286
Dividend received	0	-	4 372
Net cash from sold shares in subsidiaries	257	1 840	3 075
Net cash used for acquisition of companies	-2	-1 166	-11 113
Net cash flow from investment activities	-158	309	-4 579
Cash flow from financial activities			
Net change in long-term liabilities	-3 675	-6 813	-3 420
Net change in short-term liabilities	425	997	749
Dividend paid	-748	-657	-671
New equity	0	3 349	3 327
Net cash flow from financial activities	-3 998	-3 124	-15
Translation difference	-207	91	44
Total change in liquid assets	-2 504	903	2 502